



July 27, 2005

The Honorable Joe Barton  
Chairman  
House Energy and Commerce Committee  
Washington, D.C. 20515

Dear Chairman Barton:

As Congress heads into the summer recess, a number of important changes to Medicaid that will have a significant impact on millions of Americans are pending.

One in six of our family members and neighbors now rely on Medicaid. Reductions in private sector coverage and severely limited long-term care options have fueled recent enrollment growth in our health care safety net.

Clearly, some changes need to be made to alleviate the pressure on Medicaid and to make the program as effective as possible. But \$10 billion in arbitrary spending cuts is not the answer and could create serious barriers to care for beneficiaries. We urge Congress to also look beyond Medicaid to meet the spending reduction target in the budget resolution.

AARP has made a priority of strengthening Medicaid's critical safety net. We also urge Congress to pursue the following policies now to relieve some of the strain and make Medicaid more effective.

- Significant savings can be achieved through a more rational system of prescription drug spending, including more accurate payments to pharmacies, greater rebates from manufacturers, use of evidence-based formularies and purchasing pools.
- A broader range of long-term care options can be made available. Expanded home and community-based services can be more efficient in many cases than nursing homes. Consumer protections can be added to strengthen long-term care insurance policies. And innovative financing methods – like enabling people to voluntarily use home equity for long-term care services – can be tested.

But AARP opposes efforts to produce savings within Medicaid that merely shift costs or deny necessary care.

- Increases in cost-sharing could create serious financial burdens for beneficiaries. Strong protections are necessary to help the most vulnerable.
- Efforts to limit eligibility by changing asset transfer rules should not result in denial of care. While some loopholes can be closed, those individuals who simply helped family members or contributed to charities, or made other similar decisions with no intention of gaming the system, should not later be denied needed care. Extending the current look-back period to five years and changing the penalty date for Medicaid eligibility would do just this, and are unreasonable and may result in severe hardship. Instead, consideration should be given to closing some of the state-based loopholes. Further, we believe that the home should remain a protected asset.
- Increased “flexibility” in management should not include any kind of funding caps as these inevitably lead to denials of necessary care. Increased flexibility requires an open, thorough, and fair process for public input and ongoing assessment to ensure that changes do not cause harmful cost shifts or care denials.

We must also recognize that it is not the fault of the Medicaid safety net that more people are falling off the high wire of our dysfunctional health care system. Therefore, making changes to the Medicaid program alone will not solve the underlying problems of spiraling costs throughout the health care system and the lack of affordable acute and long-term care coverage options. Millions of people – many of them just above the poverty line – lack access to affordable health care coverage – a situation that worsens every day. We are also paying higher prices for new technologies and treatments without any direct comparative evidence that these are better than less costly alternatives.

Medicaid strains are a signal – the proverbial canary in a coal mine – warning us about the increasing magnitude of failures throughout our entire health care system. Any attempt to address Medicaid must also focus on the larger health and long-term care system failures, or they are likely to fail over the long run.

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Finally, we also ask you to keep in mind that there are other issues that need to be addressed as part of the budget reconciliation package. Most importantly, Medicare beneficiaries will once again have to shoulder a substantial increase in their monthly Part B premiums if another round of provider reimbursement increases is adopted. Congress should look for ways to alleviate the additional financial burden on beneficiaries.

As you address all of these critical issues, we look forward to working with you and your colleagues to strengthen the Medicaid program and to begin the larger task of improving our entire health care system.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill", written in a cursive, stylized font.

William D. Novelli  
Chief Executive Officer